COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0901-01
Bill No.: HB 393
Subject: Landlords and Tenants; Revenue Department; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: February 14, 2013

Bill Summary: This proposal authorizes an income tax credit for certain costs incurred in the renovation of a taxpayer's rented dwelling or residence.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	$0	$0 to ($5,000,000)	$0 to ($5,000,000)
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0 to ($5,000,000)**	**$0 to ($5,000,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Budget and Planning** assume this proposal creates a tax credit for taxpayers that renovate rental properties. The annual limit on the program is $5 million, therefore General and Total State Revenue may be reduced by this amount annually.

Officials at the **Department of Revenue** (**DOR**) assume this proposal would require computer programming changes to various tax systems and form changes. This cost is estimated to be $9,089 for 336 FTE hours.

DOR assumes the Personal Tax Division will need one Revenue Processing Technician I ($25,884) per 4,000 tax credits redeemed. The Collections and Tax Assistance Division will need one Tax Collection Technician I ($25,884) per 15,000 additional contacts annually on the delinquent tax line and one Tax Collection Processing Technician I ($25,884) per 15,000 additional contacts annually on the non-delinquent tax line, as well as one Revenue Processing Technician I ($25,884) per 4,800 additional contracts annually to the Tax Assist Offices.

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight assumes DOR's Personal and Collections and Tax Assistance Divisions could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the

ASSUMPTION (continued)

General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight assumes this creates a new tax credit beginning January 1, 2014, with a $5 million annual cap. Oversight will show the amount of loss revenue to the State in FY 2015 and FY 2016 as $0 (no credits issued) to the annual cap.

FISCAL IMPACT - State Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
Revenue Reduction - creation of the new tax credit	$0	$0 to ($5,000,000)	$0 to ($5,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**$0 to ($5,000,000)**	**$0 to ($5,000,000)**

FISCAL IMPACT - Local Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that qualify for the credit could be impacted.

FISCAL DESCRIPTION

Beginning January 1, 2014, this bill authorizes an income tax credit for certain specified costs incurred in the renovation of a taxpayer's rented dwelling or residence. The building must be a multi-family dwelling with at least two units, one of which must be occupied by the taxpayer. The credit will be equal to 20% of the renovation's costs, up to $2,500 per taxpayer. The tax credit will be issued on a first-come, first-served basis and is not refundable or transferable but can be carried forward for three years. No more than $5 million of these tax credits can be issued in any fiscal year.

The provisions of the bill will expire December 31 six years after the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Joint Committee on Administrative Rules
Office of Administration
   Budget and Planning
Office of the Secretary of State

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JH:LR:OD